



EX PARTE OR LATE FILED

2025 JUL 17 10:00 AM

July 17, 1996

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, D.C. 20554

JUL 17 1996

Dear Mr. Caton:

RE: Ex parte Notice, CC Docket No. 96-112

On July 17, the undersigned and a USTA delegation including Jay Bennett (Pac Tel), Maury Talbot (BellSouth) and Greg Sidak (AEI) met with Jim Coltharp, Special Advisor to Commissioner Quello. At this meeting the discussion centered on the points set forth in Attachments A and B. These points were made in USTA's comments filed in 96-112. An original and one copy of this document are being filed. Please include a copy of this filing in the record of this proceeding.

Respectfully submitted,

A handwritten signature in black ink, reading "Keith Townsend", is positioned above the typed name.

Keith Townsend
Director
Regulatory Affairs & Counsel

cc: Mary McDermott
USTA Delegation
Jim Coltharp

2025 JUL 17 10:00 AM OHI

USTA EX PARTE 96-112

- Telecommunications Act Encourages Development of Broadband Network and Promotes Competition
- Use of Broadband Facilities by Telcos for Nonregulated Services such as OVS Will be Impeded by:
 - Exogenous Change for Price Cap Companies
 - Over Allocation to Nonreg

USTA EX PARTE 96-112

- For Consumer Prices to be Considered Just and Reasonable, Sound Economics Should be Followed:

- Maximize Welfare of Consumers of BOTH Video and Telephone Markets
- Cable Industry Proposals Will Harm Consumer Welfare as Well as Frustrate Universal Service Goals
- Price Caps with No Sharing is Sufficient to Prevent Cross Subsidy
- Current AND Potential Competition Protect Consumers from Cross Subsidy.

Leland Johnson Provided the Answer in 1994:

“The threat of cross subsidization is constrained because the pool of potential LEC monopoly revenues available to absorb cost shifting is shrinking.” “The threat of cross-subsidy is less today than previously, and it will continue to diminish.” (Leland L. Johnson, Toward Competition in Cable Television, 80-81 MIT Press & AEI Press 1994)

- Ratepayers Already Share in the Economies of Scope

USTA EX PARTE 96-112

- Not all Broadband Services are Nonregulated
(video conferencing, video telephony, data services in excess of DS1, wireless transport, digital audio, etc.)
- New Regulatory Burdens are Not Necessary
 - Existing Part 64 Rules Allow for Flexibility of Technology
 - Rules can be Simplified Without a One-Size Fits All Allocator; Use Individual CAM Changes
 - Special Cost Pools are Not Needed for Spare Capacity

Overview of Financial Regulation

The Relationship of Accounting, Separations, Access Charge, Rate of Return, and Tariff Rules

Role:

Part 32: Establishes accounting practices, account structure, affiliate transaction rules.

Part 64: Rules for allocation of costs between nonregulated/regulated operations

Part 36: Jurisdictional separations procedures

Part 69: Defines access elements, apportionment of interstate costs to access elements, some rate parameters

Part 65: Rate of return procedures, rate base/net income (revenue requirement) rules

Part 61: Tariff filing requirements

